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C O N F I D E N T I A L BAGHDAD 001822

SIPDIS

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TAGS: ECON EFIN EINV PGOV
SUBJECT: LAND ISSUES HALTING INVESTMENT IN IRAQ,S PROVINCES

REF: 08 BAGHDAD 3682

Classified By: Classified By: PRT Team Leader Bradley Lynch for Reasons
1.4 (b) and (d).

This is a PRT Muthanna reporting cable.

¶1. (SBU) The Muthanna Provincial Investment Commission (PIC) is one of the most active and dynamic economic development organizations in Iraq. Since its inception in late summer 2008, Muthanna,s PIC has issued seventeen (17) licenses worth some 363 million dollars to a broad array of businesses from neighboring countries and major economic powers alike. Many of their efforts focus on Muthanna,s raw material endowments, such as cement, bricks, and salts. (Note: Unlike some of its provincial neighbors, Muthanna does not have proven oil/natural gas fields that could be exploited at the present time. End note.) The PIC has also issued licenses for commercial and tourism ventures, in an effort to maintain a balanced approach to development.

¶2. (SBU) Previous reporting (reftel) noted that land acquisition was, potentially, a substantial obstacle to these economic development efforts. Given its centralized history, most of the available land is owned or otherwise controlled by the Government of Iraq, either by way of the Ministry of Finance or the Ministry of Municipalities and Public Works. Over the past several weeks, Embassy Baghdad,s Treasury Attach office has been working with a local consultancy firm known as &CCC8 in an attempt to help negotiate land leases between one of the ministries -- initially the Ministry of Municipalities -- and the PIC/investor to break this logjam. Treasury has won the support of Deputy Prime Minister Rafa Al-Eissawi, who has signed a letter authorizing CCC to negotiate directly with the ministry on land issues.

¶3. (SBU) While high-level political support would presumably provide the impetus for action on this issue, recent experience has been surprisingly negative. In three separate test cases brought by the Muthanna PIC to Treasury/CCC, the Ministry of Municipalities has found a number of excuses to block the land leases. While the Iraqi investment law number 13 of 2006 spells out general provisions of land leases for investment projects, the ministry claims that this law may conflict with laws from the previous regime, specifically one from 1986 and possibly another from earlier. The ministry, therefore, has not been interested in proceeding further with land lease negotiations.

COMMENT

¶4. (SBU) PRT COMMENT: Muthanna,s PIC has done all that it can and should do in terms of encouraging investment from outside the country. The inability of the PIC to facilitate land leases will halt most foreign direct investment into the province. Indeed, of the seventeen (17) licenses issued to date, only four (4) have been able to break ground because all of the other licensed projects require land to proceed. The PIC tells the PRT that Chairman Adel Dakhel Mohammed Al-Yasiri has decided against signing any more licenses until

the land issue is resolved. The PRT fears that absent a political or legislative solution in Baghdad, little can be done in the foreseeable future on this important issue.

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